

ANDERSON COUNTY SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

Year ended June 30, 2005

ANDERSON COUNTY SCHOOL DISTRICT
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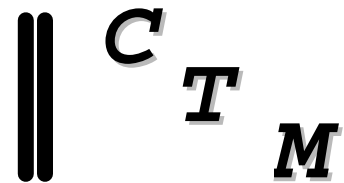
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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Anderson County School District
New Castle, Kentucky

We have audited the accompanying basic financial statements of the Anderson County School District as of June 30, 2005 and for the year then ended, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards and the standards generally accepted in the United States of America applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the Independent Auditor's Contract - General Audit Requirements, Appendix II of the Independent Auditor's Contract - State Audit Requirements, and Appendix III of the Independent Auditor's Contract - Electronic Submission. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements present fairly, in all material respects, the financial position of the District as of June 30, 2005 and the results of its operations and the cash flows of its business type activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated October 31, 2005, on our consideration of Anderson County School District's internal control structure and a report dated October 31, 2005, on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information shown on pages 29 through 33 is presented for the purpose of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on pages 34 and 35 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Charles T. Mitchell Co.

October 31, 2005

Anderson County Board of Education – Lawrenceburg, Ky.
Management’s Discussion and Analysis (MD&A)
Year Ended June 30, 2005

This section of the Anderson County School District’s (District) annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year that ended on June 30, 2005. This is the third year the District has reported the annual financial statements using the new reporting model. This reporting model uses both government-wide financial and fund financial statements. Please read it in conjunction with the additional information found within the body of the audit.

Financial Highlights

- The beginning balance for cash and investments July 1, 2004 was \$4,914,649.
- The General Fund revenue net of prior year ending fund balance was \$19,854,822 which was primarily comprised of the state formula (SEEK) and property, motor vehicle and utility taxes. General Fund expenditures were \$19,683,555.
- General Fund revenues of excess of expenditures was \$171,266.
- The Board continued to maintain a scheduled bus fleet rotation by approving the purchase of two (2) new buses. Total cost of the new buses was \$129,637.
- The Board approved a 3% cost of living increase for all district employees for the 2004-05 school year.
- District enrollment increased by 70 (.018%) students over the prior school year. The district grew by 29 (.08%) students last school year from the prior year.
- Bonds are issued as the district constructs or renovates facilities consistent with a long-range facilities plan which is established by the district facilities planning committee and in keeping with the Kentucky Department of Education *KDE) stringent compliance regulations. Bonding potential during the 2004-05 school year was approximately \$25 million.
- Roofing projects at Anderson County High, Saffell Street Elementary, Emma B. Ward Elementary and the Early Childhood Center were started and completed in the 2004-05 school year. The combined cost of the projects was \$1,186,062 which was financed by bond proceeds. The 2002 offer of assistance from the School Facilities Construction Commission was approved for payment of debt service and interest over 20 years.
- Construction began on major renovation and expansion of Saffell Street Elementary during the 2004-05 school year. Construction and renovation will begin at the high school and Emma B. Ward Elementary in the fall of 2005-2006 school year. All three projects will be financed through a combined bond issue of approximately \$15 million.
- Interest and Earnings on investments increased significantly over prior year from \$78,837 to \$182,422.
- The district continues to rank among the top performing school districts in the region based on student standardized test results.

Overview of the Financial Statements

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statement, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities the district operates like businesses, such as food services.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are divided into two categories:

- Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finances most of these activities.
- Business-type activities – The District charges fees to help it cover the costs of certain services it provides. The District's community education programs and food service are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The District has three kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements

provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explains the relationship between them.

- Proprietary funds – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for the intended purpose and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provide din the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-28 of this report.

Financial Analysis of the District As A Whole

The District's combined net assets were significantly larger on June 30, 2005 than they were the year before – increasing 17% to \$12.9 million. (See Table A-1). Most of this improvement in the District's financial position came from its governmental activities, the net assets of which grew \$2.16 million to \$12.4 million. The net assets of the District's business-type activities decreased \$1,144 to \$542,850.

The District's improved financial position is the product of many factors. There was some growth in taxes and state grants this year, and a decrease in overall expenses.

Table A-1
Anderson County School District's Net Assets

	Governmental Activities		Business-type Activities		School District Total		Total Percentage Change
	2004	2005	2004	2005	2004	2005	2004-2005
Current and other assets	\$ 5,454,596	\$ 6,325,561	\$ 304,538	\$ 343,792	\$ 5,759,134	\$ 6,669,354	16%
Bond Issue Costs		\$ 724,600				\$ 724,600	
Capital assets	25,437,939	26,050,548	260,654	210,900	25,698,593	26,261,448	5%
Total assets	<u>\$ 30,892,535</u>	<u>\$ 33,100,709</u>	<u>\$ 565,192</u>	<u>\$ 554,692</u>	<u>\$ 31,457,727</u>	<u>\$ 33,655,402</u>	7%
Long-term debt outstanding	\$ 18,704,064	\$ 18,844,566	\$ 8,889		\$ 18,712,953	\$ 18,844,566	1%
Other liabilities	1,944,741	1,902,877	14,597	11,842	1,959,338	1,914,720	-2%
Total Liabilities	<u>20,648,805</u>	<u>20,747,443</u>	<u>23,486</u>	<u>11,842</u>	<u>20,672,291</u>	<u>20,759,286</u>	0%
Net assets							
Invested in capital assets, net of related debt	5,342,892	7,230,148	260,654	210,900	5,603,546	7,441,048	33%
Restricted	836,757	325,824		18,309	836,757	344,133	-59%
Unrestricted	4,064,081	4,797,294	281,052	313,641	4,345,133	5,110,935	18%
Total net assets	<u>\$ 10,243,730</u>	<u>\$ 12,353,266</u>	<u>\$ 541,706</u>	<u>\$ 542,850</u>	<u>\$ 10,785,436</u>	<u>\$ 12,896,117</u>	20%

* Note: Totals may not add due to rounding.

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets: invested in capital assets-net of related debt restricted, and unrestricted. This means that the District has enough available resources to cover all outstanding obligations, including non-capital liabilities (such as compensated absences) as of June 30, 2005, with resources left over to use for next year's operations.

The District's total revenues increased 6% to \$28 million. (See Table A-2). The District's total expenses increased 4%.

Table A-2
Change in Anderson County School District's Net Assets

	Governmental Activities		Business-type Activities		School District Total		Total Percentage Change
	2004	2005	2004	2005	2004	2005	2004-2005
Revenues							
Program revenues							
Charges for services	\$ 356,290	\$	\$ 724,502	\$ 980,298	\$ 1,080,792	\$ 980,298	-10%
Federal and state grants	7,757,286	1,709,636	680,650	542,101	8,437,936	2,251,737	-275%
General revenues							
Property taxes	6,643,126	7,151,735			6,643,126	7,151,735	7%
State formula aid	9,845,034	13,717,550		19,283	9,845,034	13,736,833	28%
Other	244,904	3,935,474	2,064	6,636	246,968	3,942,110	94%
Total Revenues	<u>24,846,640</u>	<u>26,514,395</u>	<u>1,407,216</u>	<u>1,548,319</u>	<u>26,253,856</u>	<u>28,062,713</u>	6%
Expenses							
Instruction related	14,789,789	15,390,840			14,789,789	15,390,840	4%
Student support services	3,169,620	3,442,754			3,169,620	3,442,754	8%
Maintenance and operation:	1,801,396	1,847,885			1,801,396	1,847,885	3%
Administration	1,852,298	1,928,549			1,852,298	1,928,549	4%
Other	2,003,726	1,794,831	1,375,018	1,671,811	3,378,744	3,466,642	3%
Total Expenses	<u>23,616,829</u>	<u>24,404,859</u>	<u>1,375,018</u>	<u>1,671,811</u>	<u>24,991,847</u>	<u>26,076,670</u>	4%
Excess/(deficiency) before special items	<u>1,229,811</u>	<u>2,109,536</u>	<u>32,198</u>	<u>(123,492)</u>	<u>1,262,009</u>	<u>1,986,044</u>	36%
Special items							
Increase/(decrease) in net assets	<u>\$ 1,229,811</u>	<u>\$ 2,109,536</u>	<u>\$ 32,198</u>	<u>\$ (123,492)</u>	<u>\$ 1,262,009</u>	<u>\$ 1,986,044</u>	36%

*Note: Totals may not add due to rounding

The District's expenses are predominantly related to educating and caring for students (77 percent). The purely administrative activities of the District accounted for just 3 percent of total costs. Total revenues surpassed expense, increasing net assets \$1,986,044 over last year.

Budgetary Implications

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2 percent contingency. The District adopted a budget with \$3,612,477 (13%) in contingency.

No significant board actions were required concerning fiscal matters during fiscal year 2005. The Board, however, was prepared to deal with anticipated budget issues to the uncertainty of state funding.

ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

ASSETS	Governmental Activities	Business- Type Activities	Total
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 5,749,419	\$ 248,192	\$ 5,997,611
Inventory		45,134	45,134
Accounts Receivable	576,143	50,466	626,609
Notes Receivable			
Due from Other Funds			
Total Current Assets	<u>6,325,562</u>	<u>343,792</u>	<u>6,669,354</u>
<u>Noncurrent Assets</u>			
Bond Issue Costs	724,600		724,600
Capital Assets	38,017,319	740,037	38,757,356
Less: Accumulated Depreciation	<u>(11,966,771)</u>	<u>(529,137)</u>	<u>(12,495,908)</u>
Total Noncurrent Assets	<u>26,775,148</u>	<u>210,900</u>	<u>26,986,048</u>
 TOTAL ASSETS	 <u>\$ 33,100,710</u>	 <u>\$ 554,692</u>	 <u>\$ 33,655,402</u>
 LIABILITIES			
<u>Current Liabilities</u>			
Accounts Payable	\$ 308,549	\$ 2,953	\$ 311,502
Accr. Sal. & Benefits Payable	\$ 122,847		122,847
Deferred Revenue	209,321		209,321
Interest Payable	197,161		197,161
Current Portion of Bond Obligations	1,065,000		1,065,000
Current Portion of Accrued Sick Leave		8,889	8,889
Total Current Liabilities	<u>1,902,878</u>	<u>11,842</u>	<u>1,914,720</u>
<u>Noncurrent Liabilities</u>			
Noncurrent Portion of Bond Obligations	18,480,000		18,480,000
Noncurrent Portion of Accrued Sick Leave	<u>364,566</u>		<u>364,566</u>
Total Noncurrent Liabilities	<u>18,844,566</u>		<u>18,844,566</u>
 TOTAL LIABILITIES	 <u>\$ 20,747,444</u>	 <u>\$ 11,842</u>	 <u>\$ 20,759,286</u>
 NET ASSETS			
Invested in Capital Assets	\$ 26,775,148	\$ 210,900	\$ 26,986,048
Restricted For:			
Encumbrances	(5,847)	15,855	10,008
Prior Year Encumbrances		2,454	2,454
Capital Projects	281,671		281,671
Accrued Sick Leave	50,000		50,000
Debt Service	(19,545,000)		(19,545,000)
Other Purposes:(nonexpendable)			
Unrestricted			
General Fund	3,335,332		3,335,332
Capital Projects	<u>1,461,962</u>	<u>313,641</u>	<u>1,775,603</u>
 TOTAL NET ASSETS	 <u>\$ 12,353,266</u>	 <u>\$ 542,850</u>	 <u>\$ 12,896,116</u>

The notes to the basic financial statement are an integral part of this statement.

ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
Instruction	\$ 15,390,840	\$	\$ 1,707,960	\$	\$ (13,682,880)	\$	\$ (13,682,880)
Support Services:							
Student	521,221				(521,221)		(521,221)
Instruction Staff	1,010,277				(1,010,277)		(1,010,277)
District Administrative	751,438				(751,438)		(751,438)
School Administrative	1,177,110				(1,177,110)		(1,177,110)
Business	510,293				(510,293)		(510,293)
Plant Operation and Maintenance	1,847,885				(1,847,885)		(1,847,885)
Student Transportation	1,260,819				(1,260,819)		(1,260,819)
Community Service Activities	140,143				(140,143)		(140,143)
Other	105,670		1,676		(103,994)		(103,994)
Interest on Long-Term Debt	647,314				(647,314)		(647,314)
Depreciation	1,041,847				(1,041,847)		(1,041,847)
Total Governmental Activities	24,404,859		1,709,636		(22,695,223)		(22,695,223)
Business-Type Activities:							
Food Service	1,394,689	703,390	542,101			(149,198)	(149,198)
Multi-Year	277,122	276,909				(213)	(213)
Total Business-Type Activities	1,671,811	980,299	542,101			(149,411)	(149,411)
Total Primary Government	\$ 26,076,670	\$ 980,299	\$ 2,251,737	\$	(22,695,223)	(149,411)	(22,844,634)
General Revenues:							
Taxes:							
Property Taxes	\$ 5,608,775	\$		\$	5,608,775		5,608,775
Motor Vehicle Taxes	579,126				579,126		579,126
Distilled Spirits Tax	112,686				112,686		112,686
Utility Taxes	851,148				851,148		851,148
Investment Earnings	182,422				6,636	189,058	189,058
State and Formula Grants	13,717,550				19,283	13,736,833	13,736,833
Gains on Sales of Fixed Assets							
On Behalf Payments	3,569,973				68426	3,638,399	3,638,399
Miscellaneous	183,079					183,079	183,079
Change in Net Assets	2,109,536				(55,066)	2,054,470	2,054,470
Net Assets - Beginning	10,243,730				597,916	10,841,646	10,841,646
Net Assets - Ending	\$ 12,353,266	\$ 542,850	\$			\$ 12,896,116	\$ 12,896,116

The notes to the basic financial statement are an integral part of this statement.

ANDERSON COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Totals Governmental Funds
ASSETS AND RESOURCES					
Cash & cash equivalents	\$ 3,600,754	\$ (170,415)	\$ 2,100,188	\$ (312,952)	\$ 5,217,575
Investments	531,843				531,843
Accounts Receivable					
Accounts Receivable	147,781	428,362			576,143
Notes Receivable					
Dues from other funds					
TOTAL ASSETS AND RESOURCES	<u>\$ 4,280,378</u>	<u>\$ 257,947</u>	<u>\$ 2,100,188</u>	<u>\$ (312,952)</u>	<u>\$ 6,325,561</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 210,473	\$ 48,626	\$	\$ 49,450	\$ 308,549
Accr. Salaries & Benefits Payable	\$ 122,847				\$ 122,847
Deferred Revenue		209,321			209,321
Total Liabilities	<u>333,319</u>	<u>257,947</u>		<u>49,450</u>	<u>640,717</u>
Fund Balances					
Reserved for:					
Encumbrances				(5,847)	(5,847)
SBDM					
Technology Escrow					
Construction Projects				281,671	281,671
Accrued Sick Leave	50,000				50,000
Unreserved:					
General Fund	3,897,059				3,897,059
Special Revenue Funds					
Capital Projects Funds			2,100,188	(638,226)	1,461,962
Total Fund Balances	<u>3,947,059</u>		<u>2,100,188</u>	<u>(362,402)</u>	<u>5,684,845</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,280,378</u>	<u>\$ 257,947</u>	<u>\$ 2,100,188</u>	<u>\$ (312,952)</u>	<u>\$ 6,325,562</u>

The notes to the basic financial statements are an integral part of this statement.

ANDERSON COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATE OF NET ASSETS
JUNE 30, 2005

Total Fund Balance per Fund Financial Statements	\$ 5,684,845
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.	26,050,548
Bond issuance costs are amortized over the life of the bonds on the statement of net assets.	724,600
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets.	
Bonds Payable	(19,545,000)
Compensated Absences	(364,566)
Accrued Interest Payable	<u>(197,161)</u>
Net Assets for Governmental Activities	<u><u>\$ 12,353,266</u></u>

The notes to the basic financial statements are an integral part of this statement.

ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2005

	General Fund	Special Revenue	Building Fund	Other Governmental Funds	Totals (Memorandum Only)
Revenues:					
From local sources:					
Taxes:					
Property	\$ 3,798,473	\$	\$ 1,810,302	\$	\$ 5,608,775
Motor Vehicle	579,126				579,126
Utilities	851,148				851,148
Other	112,686				112,686
Tuition and Fees		45,684			45,684
Earnings on Investments	182,422				182,422
Other local revenues	45,726	47,805		825	94,356
Intergovernmental - State	14,285,241	1,684,074	784,764	398,855	17,152,934
Intergovernmental - Indirect federal		1,701,604			1,701,604
Intergovernmental - Direct federal		1,676			1,676
Total Revenues	<u>19,854,822</u>	<u>3,480,843</u>	<u>2,595,066</u>	<u>399,680</u>	<u>26,330,411</u>
Expenditures:					
Instruction	13,200,065	2,685,586			15,885,651
Support Services:					
Student	521,221				521,221
Instructional staff	543,475	466,802			1,010,277
District administration	751,438				751,438
School administration	1,177,110				1,177,110
Business	463,385	46,908			510,293
Plant operations and maintenance	1,847,885				1,847,885
Student transportation	1,081,725	179,094			1,260,819
Food Services					
Community Service		140,143			140,143
Adult Education Operations		9,219			9,219
Facilities acquisition & construction				1,863,391	1,863,391
Debt Service					
Principal			566,316	256,340	822,656
Interest			491,406	82,950	574,356
Other					
Total Expenditures	<u>19,586,304</u>	<u>3,527,752</u>	<u>1,057,722</u>	<u>2,202,681</u>	<u>26,374,459</u>
Excess (deficit) of revenues over expenditures	<u>171,266</u>	<u>(46,910)</u>	<u>1,537,344</u>	<u>(1,803,001)</u>	<u>(141,302)</u>
Other Financing Sources (Uses):					
Proceeds from sale of assets	750				750
Bond principal proceeds				1,166,686	1,166,686
Operating transfers in		47,251			47,251
Operating transfers out	(97,251)				(97,251)
Total Other Financing Sources(Uses)	<u>(96,501)</u>	<u>47,251</u>		<u>1,166,686</u>	<u>1,117,436</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>172,016</u>	<u>1,736</u>	<u>1,537,344</u>	<u>(636,315)</u>	<u>1,074,781</u>
Fund balance July 1, 2004	<u>3,775,043</u>	<u>(1,736)</u>	<u>562,844</u>	<u>273,913</u>	<u>4,610,064</u>
Fund balance June 30, 2005	<u>\$ 3,947,059</u>	<u>\$</u>	<u>\$ 2,100,188</u>	<u>\$ (362,402)</u>	<u>\$ 5,684,845</u>

The notes to the basic financial statements are an integral part of this statement.

ANDERSON COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

Net change in total fund balances per fund financial statements	\$ 1,074,781
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlays this year.	505,735
Bond and capital lease payments are recognized as expenditures of current Financial resources in the fund financial statement but are reductions of liabilities in the statement of net assets.	425,058
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>103,962</u>
Change in net assets of governmental activities	<u><u>\$ 2,109,536</u></u>

The notes to the basic financial statements are an integral part of this statement.

ANDERSON COUNTY SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance With Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
From local sources:				
Taxes:				
Property	\$ 3,489,000	\$ 3,745,132	\$ 3,798,473	\$ 53,341
Motor Vehicle	575,000	622,000	579,126	(42,874)
Utilities	765,000	765,000	851,148	86,148
Other	285,000	285,000	112,686	(172,314)
Tuition and fees				
Earnings on Investments	35,000	90,000	182,422	92,422
Other local revenues			45,726	45,726
Intergovernmental - State	10,560,418	10,872,354	10,849,857	(22,497)
Intergovernmental - Indirect federal				
Intergovernmental - Direct federal				
Total Revenues	<u>15,709,418</u>	<u>16,379,486</u>	<u>16,419,438</u>	<u>39,952</u>
Expenditures:				
Instruction	9,879,095	10,447,757	10,307,152	140,605
Support Services:				
Student	530,278	442,961	465,329	(22,368)
Instructional staff	421,144	408,621	487,521	(78,900)
District administration	777,586	743,145	698,691	44,454
School administration	986,206	1,008,481	1,044,573	(36,093)
Business	475,605	387,514	410,939	(23,426)
Plant operations and maintenance	1,583,145	1,748,293	1,754,864	(6,571)
Student transportation	1,263,168	1,205,281	982,652	222,629
Central office				
Food Services				
Community Service				
Facilities acquisition & construction				
Debt Service				
Other	2,793,189	3,612,477		3,612,477
Total Expenditures	<u>18,709,418</u>	<u>20,004,530</u>	<u>16,151,721</u>	<u>3,852,807</u>
Excess (deficit) of revenues over expenditures	<u>(3,000,000)</u>	<u>(3,625,044)</u>	<u>267,717</u>	<u>(3,812,855)</u>
Other Financing Sources (Uses):				
Proceeds from sale of assets			750	750
Operating transfers in				
Operating transfers out	(100,000)	(100,000)	(97,251)	2,749
Total Other Financing Sources(Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(96,501)</u>	<u>3,499</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(3,100,000)</u>	<u>(3,725,043)</u>	<u>172,015</u>	<u>(3,897,058)</u>
Fund balance July 1, 2004	<u>3,100,000</u>	<u>3,725,043</u>	<u>3,775,043</u>	<u>(50,000)</u>
Fund balance June 30, 2005	<u>\$</u>	<u>\$</u>	<u>\$ 3,947,058</u>	<u>\$ (3,947,058)</u>

The notes to the basic financial statements are an integral part of this statement.

ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Food Service Fund	Other Enterprise Funds	Total
Assets			
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 189,342	\$ 58,850	\$ 248,192
Inventory	45,134		45,134
Accounts Receivable	50,466		50,466
Total Current Assets	<u>284,942</u>	<u>58,850</u>	<u>343,792</u>
<u>Noncurrent Assets</u>			
Capital Assets	740,037		740,037
Less: Accumulated Depreciation	<u>(529,137)</u>		<u>(529,137)</u>
Total Noncurrent Assets	<u>210,900</u>		<u>210,900</u>
Total Assets	<u>\$ 495,842</u>	<u>\$ 58,850</u>	<u>\$ 554,692</u>
Liabilities			
<u>Current Liabilities</u>			
Accounts Payable	\$	2,953	2,953
Accrued Sick Leave	8,889		8,889
Due to Other Funds			
Total Current Liabilities	<u>\$ 8,889</u>	<u>\$ 2,953</u>	<u>\$ 11,842</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	210,900		210,900
Reserved for Encumbrances	18,982	(3,127)	15,855
Prior Year Encumbrances		2,454	2,454
Unrestricted	257,071	56,570	313,641
Total Net Assets	<u>\$ 486,953</u>	<u>\$ 55,897</u>	<u>\$ 542,850</u>

The notes to the basic financial statements are an integral part of this statement.

ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

	Food Service Fund	Other Enterprise Funds	Total
Operating Revenues:			
Tuition	\$	\$ 276,909	\$ 276,909
Other	(430)		(430)
Lunchroom sales	703,820		703,820
Total Operating Revenues	<u>703,390</u>	<u>276,909</u>	<u>980,299</u>
Operating Expenses:			
Salaries and wages	641,157	258,308	899,466
Materials & Supplies	675,289	14,989	690,278
Depreciation Expense	49,853		49,853
Other operating expenses	28,390	3,825	32,215
Total Operating Expenses	<u>1,394,689</u>	<u>277,122</u>	<u>1,671,812</u>
Operating income (loss)	<u>(691,299)</u>	<u>(213)</u>	<u>(691,513)</u>
Non-Operating Revenues (Expenses)			
Federal grants	542,101		542,101
Donated commodities			
State On-behalf payments	68,426		68,426
State grants	19,283		19,283
Interest income	6,636		6,636
Non-Operating Revenues (Expenses)	<u>636,446</u>		<u>636,446</u>
Net income (loss)	(54,852)	(213)	(55,066)
Retained earnings July 1, 2004	<u>541,805</u>	<u>56,111</u>	<u>597,916</u>
Retained earnings June 30, 2005	<u>\$ 486,953</u>	<u>\$ 55,898</u>	<u>\$ 542,850</u>

The notes to the basic financial statements are an integral part of this statement.

ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

Cash Flows from Operating Activities:	
Net Income	\$ (55,066)
Adjustments to reconcile net income to cash provided by operating activities:	
Prior Period Adjustment	
Changes in assets & liabilities:	
Depreciation	49,853
Inventories	(45,133)
Accounts Receivable	(3,603)
Accounts Payable	<u>(13,671)</u>
Net cash used by operating activities:	<u>(67,620)</u>
Cash flows from capital & related financial activities:	
Acquisition of capital assets	
Net cash used by capital & related financial activities	
Increase in cash & cash equivalents	(67,620)
Cash and cash equivalents, July 1, 2004	<u>315,812</u>
Cash and cash equivalents, June 30, 2005	<u><u>\$ 248,192</u></u>
Schedule of Non-Cash Transactions:	
Donated commodities received from federal government	<u><u>\$</u></u>

The notes to the basic financial statements are an integral part of this statement.

ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	Private Purposes Trust Funds	Agency Fund	Total
Assets			
Cash and Cash Equivalents	\$ 11,187	\$ 335,106	\$ 346,292
Accounts Receivable	2,446		2,446
Total Assets	<u>\$ 13,633</u>	<u>\$ 335,106</u>	<u>\$ 348,738</u>
Liabilities			
Accounts Payable	\$ 5,997	\$	\$ 5,997
Total Liabilities	<u>\$ 5,997</u>	<u>\$</u>	<u>\$ 5,997</u>
Net Assets			
Restricted For:			
Scholarships	\$	\$	\$
Student Groups		335,106	335,106
Unrestricted	7,636		7,636
Total Net Assets	<u>\$ 7,636</u>	<u>\$ 335,106</u>	<u>\$ 348,739</u>

The notes to the basic financial statements are an integral part of this statement.

ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2005

	Private Purpose Trust Funds	Agency Fund	Total
Revenues:			
From local sources:			
Student Activities	\$	\$ 1,080,026	\$ 1,080,026
Interest Income			
Other local revenues	<u>30,706</u>		<u>30,706</u>
Total Revenues	<u>30,706</u>	<u>1,080,026</u>	<u>1,110,732</u>
Expenditures:			
Other	82,175		82,175
Student Activities		<u>1,073,529</u>	<u>1,073,529</u>
Total Expenditures	<u>82,175</u>	<u>1,073,529</u>	<u>1,155,704</u>
Excess (deficit) of revenues over expenditures	(51,470)	6,497	(44,973)
Other financing sources (uses):			
Operating transfers in	50,000		50,000
Operating transfers out			
Total other financing sources(uses)	<u>50,000</u>		<u>50,000</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(1,470)	6,497	5,027
Fund balance July 1, 2004	<u>9,105</u>	<u>328,609</u>	<u>337,714</u>
Fund balance June 30, 2005	<u>\$ 7,635</u>	<u>\$ 335,106</u>	<u>\$ 342,741</u>

The notes to the basic financial statements are an integral part of this statement.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Anderson County Board of Education (“Board”), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Anderson County Board of Education (“District”). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Anderson County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Anderson County Board of Education Finance Corporation

In a prior year the Board of Education resolved to authorize the establishment of the Anderson County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- A. The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- B. The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Basis of Accounting - continued

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as “inter-fund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive a calculated amount of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “accumulated sick leave payable” in the general fund. The non-current portion of the liability is not reported.

Budgetary Process

Budgetary Basis of Accounting: The District’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Each budget is prepared at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

On government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

NOTE B – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's total cash and cash equivalents was \$6,349,757. Of the total cash balance, \$200,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2005 consisted of the following:

	Bank Balance	Book Balance
Lawrenceburg National	\$ 6,936,656	\$5,510,158
Integra Bank	\$ 146,492	\$140,537
Century Bank	712,936	699,061
	<u>\$ 7,796,084</u>	<u>\$ 6,349,757</u>

NOTE C – CASH AND CASH EQUIVALENTS (continued)

Breakdown per financial statements:

Governmental funds	\$ 5,720,197
Proprietary funds	284,192
Private purpose trust funds	11,187
Agency funds	<u>334,181</u>
	<u>\$ 6,349,757</u>

NOTE D – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2005</u>
Land	\$ 4,022,666	\$	\$	\$ 793,232
Buildings and improvements	24,727,767	281,833		18,186,309
Technology equipment	3,238,742	133,913		3,372,655
Vehicles	2,645,960			2,645,960
General Equipment	870,712	8,397		
Construction	<u>111,969</u>	<u>111,969</u>		<u>223,938</u>
Totals at historical cost	<u>35,617,816</u>	<u>536,112</u>		<u>36,153,928</u>
Less: accumulated depreciation				
Land	662,442	70,954		733,396
Buildings and improvements	5,090,471	545,410		5,635,881
Technology equipment	2,862,371	200,739		3,063,110
Vehicles	1,813,886	158,364		1,972,250
General Equipment	495,754	66,259		562,013
Construction	<u>121</u>	<u>121</u>		<u>121</u>
Total accumulated depreciation	<u>10,924,924</u>	<u>1,041,847</u>	<u>-</u>	<u>11,966,771</u>
Governmental Activities				
Capital Assets-Net	<u>\$ 24,692,892</u>	<u>\$ (505,735)</u>	<u>\$</u>	<u>\$ 24,187,157</u>
 <u>Business-Type Activities</u>				
Food service and equipment	\$	\$	\$	\$
Technology equipment	\$ 61,293	\$ 2,999		\$ 64,292
General Equipment	<u>675,745</u>			<u>675,745</u>
Totals at historical cost	<u>737,038</u>	<u>2,999</u>		<u>740,037</u>
Less: accumulated depreciation				
Food service and equipment				
Technology equipment	42,497	9,113		51,610
General Equipment	<u>436,787</u>	<u>40,740</u>		<u>477,537</u>
Total accumulated depreciation	<u>479,284</u>	<u>49,853</u>		<u>529,137</u>
Business-Type Activities				
Capital Assets-Net	<u>\$ 257,754</u>	<u>\$ (46,854)</u>	<u>\$</u>	<u>\$ 210,900</u>

NOTE E – BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as current and non-current portions of bond obligations represent the District's future obligation to make bond payments relating to the bonds issued by the Fiscal Court of Anderson County. The original amount of each issue, the issue date, and interest rates are summarized below:

Issue	Principal Amount	Interest Rates	Outstanding at 6/30/2005	Maturity Date
Series of 2004 Refunding	\$ 1,525,000	2.0%-3.7%	\$ 1,500,000	8/1/2015
Series of 2004	1,210,000	2.5%-4.75%	1,165,000	6/1/2024
Series of 2002	6,030,000	1.65%-3.5%	5,935,000	8/1/2014
Series of 2000	7,970,000	5.00%	7,895,000	12/1/2020
Series A of 1998	1,460,000	3.75%-4.25%	1,385,000	10/1/2018
Series B of 1998	920,000	3.75%-4.0%	760,000	3/1/2011
Series of 1995	195,000	4.9%-5.0%	100,000	8/1/2005
Series A of 1994	1,220,000	5.65%	840,000	8/1/2006
Series B of 1994	130,000	6.3%-6.5%	65,000	11/1/2005
	<u>\$ 20,660,000</u>		<u>\$ 19,645,000</u>	

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Anderson County Fiscal Court to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In connection with the school revenue bonds issued after May 1, 1996 the District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2005 for debt service (principal and interest) are as follows:

NOTE E – BONDED DEBT AND LEASE OBLIGATIONS(continued)

<u>Year</u>	Anderson County School Distirct		Kentucky School Facilities Construction Commission		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2006	\$ 730,859	\$ 643,205	\$ 334,141	\$ 141,565	\$ 1,849,770
2007	763,340	609,551	341,660	128,195	1,842,746
2008	791,734	583,714	288,266	115,036	1,778,750
2009	808,002	562,903	301,998	104,640	1,777,543
2010	839,017	539,631	290,983	93,389	1,763,020
2011	854,860	513,879	300,140	82,180	1,751,059
2012	889,327	486,271	230,673	70,189	1,676,460
2013	918,993	456,559	216,007	61,732	1,653,291
2014	942,959	424,577	227,041	53,035	1,647,612
2015	983,435	390,282	211,565	44,241	1,629,523
2016	1,072,004	346,747	162,996	36,418	1,618,165
2017	1,134,762	292,960	170,238	29,175	1,627,135
2018	1,187,163	235,083	177,837	21,576	1,621,659
2019	1,248,941	174,470	156,059	14,233	1,593,703
2020	1,320,179	110,462	59,821	9,325	1,499,787
2021	1,383,315	42,980	51,685	6,658	1,484,638
2022	48,510	7,409	31,490	4,704	92,113
2023	52,015	5,105	32,985	3,208	93,313
2024	55,448	2,634	34,552	1,641	94,275
Total	<u>\$ 16,024,863</u>	<u>\$ 6,428,419</u>	<u>\$ 3,620,137</u>	<u>\$ 1,021,139</u>	<u>\$ 27,094,558</u>

NOTE F – RETIREMENT PLANS

Certified employees are covered under the Kentucky Teachers Retirement System (“KTRS”). Funding for the Plan is provided through payroll withholdings of 9.855% and matching state contributions. The matching contributions are paid by the Federal programs for any salaries paid by that program.

Substantially all other employees (classified personnel) are covered under the County Employee’s Retirement System (“CERS”), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5% and a Board contribution of 8.48% of the employee’s total compensation subject to contribution.

The Board’s total payroll for the year was \$15,997,432. The payroll for employees covered under KTRS was \$12,768,188 and for CERS was \$3,229,234.

The contribution requirement for CERS for the year ended June 30, 2005 was \$435,378 which consisted of \$273,864 from the Board and \$161,514 from the employees.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The “pension benefit obligation” is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions’ funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

Ten-year historical trend information showing KTRS’s and CERS’s progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2005 comprehensive annual financial reports.

NOTE F – RETIREMENT PLANS (continued)

As the District is only one of several employers participating in the Plan, it is not practicable to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the Plan assets.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

NOTE G - CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE H - LITIGATION

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress, except as described elsewhere in this report.

NOTE I - INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes Workers' Compensation insurance.

NOTE J - RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE K - DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance.

NOTE L - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

NOTE N - TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	\$ 47,251
Matching	General	Trust Fund	Dental	\$50,000

SUPPLEMENTARY INFORMATION

ANDERSON COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	SEEK Capital Outlay Fund	Construction Fund	Total Nonmajor Governmental Funds
Assets & Resources:			
Cash & cash equivalents	\$	\$ (312,952)	\$ (312,952)
Accounts Receivable			
Accounts Receivable			
Notes Receivable			
Inventory			
Net Property Plant & Equipment			
Dues from other funds			
Amounts to be provided for retirement of General Long-Term Obligations			
Total Assets & Resources	<u>\$</u>	<u>\$ (312,952)</u>	<u>\$ (312,952)</u>
Liabilities & Fund Balances:			
Liabilities:			
Accounts payable	\$	\$ 49,450	\$ 49,450
Due to other funds			
Deferred Revenue			
Total Liabilities	<u></u>	<u>49,450</u>	<u>49,450</u>
Fund Balances			
Reserved for:			
Encumbrances		(7,758)	(7,758)
Prior year encumbrances		1,911	1,911
Restricted for future construction		281,671	281,671
Unreserved:			
General Fund			
Special Revenue Funds			
Capital Projects Funds		(638,226)	(638,226)
Debt Service Funds			
Permanent Funds			
Total Fund Balances	<u></u>	<u>(362,402)</u>	<u>(362,402)</u>
Total Liabilities & Fund Balances	<u>\$</u>	<u>\$ (312,952)</u>	<u>\$ (312,952)</u>

ANDERSON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	Capital Outlay Fund	Construction Revenue	Total Nonmajor Governmental Fund
Revenues:			
From local sources:			
Taxes:			
Property	\$	\$	\$
Motor Vehicle			
Utilities			
Other			
Tuition and fees			
Earnings on Investments			
Student Activities			
Other local revenues		825	825
Intergovernmental - State	339,290	59,565	398,855
Intergovernmental - Indirect federal			
Intergovernmental - Direct federal			
Total Revenues	<u>339,290</u>	<u>60,390</u>	<u>399,680</u>
Expenditures:			
Instruction			
Support Services:			
Student			
Instructional staff			
District administration			
School administration			
Business			
Plant operations and maintenance			
Student transportation			
Central office			
Food Services			
Community Services			
Non-Instructional			
Facilities acquisition & construction		1,863,391	1,863,391
Debt Service			
Principal	256,340		256,340
Interest	82,950		82,950
Other			
Total Expenditures	<u>339,290</u>	<u>1,863,391</u>	<u>2,202,681</u>
Excess (deficit) of revenues over expenditures		(1,803,001)	(1,803,001)
Other Financing Sources (Uses):			
Proceeds from sale of assets			
Proceeds from sale of bonds		1,166,686	1,166,686
Operating transfers in			
Operating transfers out			
Total Other Financing Sources(Uses)		<u>1,166,686</u>	<u>1,166,686</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses		(636,315)	(636,315)
Fund balance July 1, 2004		273,913	273,913
Fund balance June 30, 2005	<u>\$</u>	<u>\$ (362,402)</u>	<u>\$ (362,402)</u>

ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
ANDERSON COUNTY HIGH SCHOOL ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2004

Accounts	Cash Balances July 1, 2004	Receipts	Disbursements	Transfers	Cash Balances June 30, 2005	Accounts Receivable June 30, 2005	Accounts Payable June 30, 2005	Fund Balances June 30, 2005
Academic Team Club	\$ 131	\$	\$	\$	\$ 131	\$	\$	\$ 131
Adm. Paws	3,460		1,000	2,900	5,360			5,360
Annual	26,475	23,758	21,858	205	28,580			28,580
Art Class	30			50	80			80
Arts & Hum. Dept.	1,670	2,733	2,458		1,945			1,945
AYCC	81		19		62			62
Band	172	20,140	7,448		12,864			12,864
Bearcats	9,698	14,110	9,575	(6,150)	8,083			8,083
BETA Club	898	3,677	4,285	15	305			305
Bohman/Sports	-	240	170		70			70
Bragg/Class Activities	19	250	269		-			-
Building Rental	670	397	101		966			966
Cat Fund	50	2,510	2,498	200	262			262
Chess Club	-	20	19		1			1
Chorus	-	9,626	8,175	449	1,900			1,900
Class of 2004	875		847		28			28
Class of 2005	76	9,074	11,450	2,471	171			171
Class of 2006	-	20,168	18,900	655	1,923			1,923
Close-Up	688			(688)	-			-
Co-Ed Y	3,367	620	1,522	(350)	2,115			2,115
Cokes	5,928	10,276	13,931	(1,213)	1,060			1,060
Cokes-TL	233	1,554	1,120		667			667
Collections From	41	2,146	2,164		23			23
Communications	326	235	985	561	137			137
Computer Graphics	130	173	278		25			25
Contingency Fund	9				9			9
Copiers	4,201	764	2,224		2,741			2,741
CPS	-	311	236		75			75
English Dept.	29	24			53			53
Extended Learning	-	25			25			25
FCA	683	2,846	1,992		1,537			1,537
FCCLA	3,199	18,912	19,572	(25)	2,514			2,514
FEA	235		25		210			210
FFA	331	3,789	3,240	(26)	854			854
French Club	767	2,145	1,813		1,099			1,099
French Honor Society	291	90	161		220			220
General	8,451	135,657	135,872		8,236			8,236
Guidance	896	2,839	2,656		1,079			1,079
Gum/Vending	1,473	825	716	(450)	1,132			1,132
Home-Ec Stevens	257	1,732	1,651		338			338

ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
ANDERSON COUNTY HIGH SCHOOL ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2004

Accounts	Cash Balances July 1, 2004	Receipts	Disbursements	Transfers	Cash Balances June 30, 2005	Accounts Receivable June 30, 2005	Accounts Payable June 30, 2005	Fund Balances June 30, 2005
Home-Ec Werner	524	1,611	1,878		257			257
Horticulture	4,268		3,729		539			539
Inactive Fund	287		244		43			43
International Club	280				280			280
Journalism (Paw Prints)	-	2,166	2,266	525	425			425
Junior DC Trip	-	27,151	28,013	862	-			-
Library	121	924	992	688	741			741
Magazines	3,263	14,219	9,321		8,161			8,161
Manufacturing Class	165	575	260		480			480
Math Dept	134	2,253	1,123		1,264			1,264
NHS	10	1,863	1,856		17			17
Nolan's Asian Studies	-	300			300			300
Operations	131	-	-		131			131
Pep Club	627		529	300	398			398
SADD	236	21,447	17,204	100	4,579			4,579
SAE	24				24			24
Science Dept.	264	882	1,014		132			132
Senior Class Trip	-	78,025	75,768	(2,064)	193			193
Soc. St. Dept.	16	496	543	32	1			1
Spanish Club	-	20	19		1			1
Spanish Honor Society	414	470	803		81			81
Special Ed. Dept.	35				35			35
Speech/ACT CATS	2,158	3,831	1,800	54	4,243			4,243
Sports	70,266	325,380	347,616	(587)	47,443			47,443
Sr. Class Contingency	2,241		195		2,046			2,046
Staff Team	8,722		7,900	2,439	3,261			3,261
STLP	145				145			145
Student Beat	475			(475)	-			-
Student Council	728		150		578			578
Technology Dept.	101				101			101
Textbooks	1,135	49,001	46,330	(561)	3,245			3,245
TIP	62	1,390	376		1,076			1,076
TSA	345	371	496		220			220
Voc. Ed. Dept.	58	38	178	82	-			-
	<u>\$ 173,075</u>	<u>\$ 824,079</u>	<u>\$ 829,833</u>	<u>\$ (1)</u>	<u>\$ 167,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,320</u>

ANDERSON COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
MIDDLE AND ELEMENTARY SCHOOLS
YEAR ENDED JUNE 30, 2005

<u>School</u>	Cash Balances July 1, 2004	Receipts	Disbursements	Cash Balances June 30, 2005	Accounts Receivable June 30, 2005	Accounts Payable June 30, 2005	Fund Balances June 30, 2005
Early Childhood Center	\$ 11,565	\$ 1,014	\$ 468	\$ 12,111	\$	\$	\$ 12,111
Saffell Street Elementary	16,129	303	1,192	15,240			15,240
Emma Ward Elementary	8,900	38,852	40,461	7,292			7,292
Robert B. Turner Elementary	18,768	41,911	41,071	19,608			19,608
Anderson County Middle School	<u>100,174</u>	<u>173,866</u>	<u>160,402</u>	<u>113,638</u>	<u></u>	<u></u>	<u>113,638</u>
Total	<u>\$ 155,536</u>	<u>\$ 255,946</u>	<u>\$ 243,594</u>	<u>\$ 167,889</u>	<u>\$</u>	<u>\$</u>	<u>\$ 167,888</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

ANDERSON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

	<u>CFDA Number</u>	<u>Pass- Through Number</u>	<u>Disbursements</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Title I, Fiscal Year 2004-2005	84.010	0351-05-01	\$ 288,309
Title I, Fiscal Year 2003-2004	84.010	0351-04-01	40,540
Title I, Migrant, Fiscal Year 2003-2004	84.011A	0352-04-02	3,787
Title I, Migrant, Fiscal Year 2003-2004	84.011A	0352-04-02	5,228
Title I, Migrant, Fiscal Year 2004-2005	84.011A	0352-05-02	8,362
Title III, Part A	84.365	0520-05-01	1,680
Title IV, Drug Free Schools, Fiscal Year 2003-2004	84.186	0590-04-02	12,648
Title IV, Drug Free Schools, Fiscal Year 2004-2005	84.186	0590-05-02	4,242
IDEA-Basic, Fiscal Year 2004-2005	84.027	0581-05-02	125,153
IDEA-Basic, Fiscal Year 2003-2004	84.027	0581-04-02	507,597
IDEA-Part B, Preschool	84.173	0587-05-02	569,679
Passed Through State Workforce Cabinet:			
Adult Education	84.002	0535-05-03	(41)
Tech Prep	84.243		8,871
Title II Teacher Quality, Fiscal Year 2003-2004	84.281		71,536
Title II Teacher Quality, Fiscal Year 2004-2005	84.281		28,124
Vocational Education	84.048	0462-03-32	20
Vocational Education	84.048	0462-04-32	3,183
Vocational Education	84.048	0462-05-32	21,446
Total U.S. Department of Education			<u>1,700,364</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Kentucky Department of Education			
National School Lunch	10.555	0575-05-02	403,377
National School Breakfast	10.553	0576-05-02	105,059
Summer Meal	10.559	0574-04-23	21,825
Food Distribution	10.550		67,817
Total U.S. Department of Agriculture			<u>598,078</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>			
Service Learning Grant	94.004	0743-04-02	1,238
Total Corporation for National and Community Service			<u>1,238</u>
TOTAL FEDERAL FINANCIAL AWARDS			<u>\$ 2,299,680</u>

ANDERSON COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Anderson County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued (unqualified):

Internal control over financial reporting:

- Material weakness(es) identified? _____yes _____Xno
- Reportable condition(s) identified that are not considered to be material weaknesses? _____yes _____Xnone reported

Noncompliance material to financial statements noted? _____yes _____Xno

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____yes _____Xno
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____yes _____Xnone reported

Type of auditor's report issued on compliance for major programs (unqualified):

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____yes _____Xno

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.173 & 84.027	IDEA
10.555	National School Lunch Program

Dollar threshold used to distinguish Between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____yes _____Xno

Section II – Financial Statement of Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

ANDERSON COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2005

There were no prior year audit findings.

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Charles T. Mitchell Company, LLP

Certified Public Accountants

WILLIAM G. JOHNSON, JR., C.P.A.

JAMES CLOUSE, C.P.A.

BERNADETTE SMITH, C.P.A.

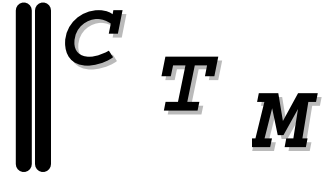
KIM FIELD, C.P.A.

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Anderson County School District
Lawrenceburg, Kentucky

We have audited the financial statements of Anderson County School District as of and for the year ended June 30, 2005 and have issued our report thereon dated October 31, 2005. We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and state audit requirements.

Compliance

As part of obtaining reasonable assurance about whether Anderson County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards or state audit requirements.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Anderson County School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Anderson County School District in a separate letter dated October 31, 2005.

This report is intended for the information of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Anderson County School District, the Kentucky Department of Education management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Charles T. Mitchell Co.

October 31, 2005

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Charles T. Mitchell Company, LLP

Certified Public Accountants

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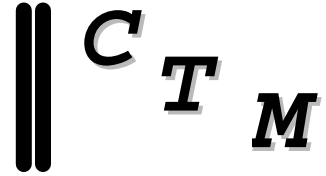
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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Anderson County School District
Lawrenceburg, Kentucky

Compliance

We have audited the compliance of Anderson County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Anderson County School District's major federal programs are identified in the accompanying schedule of expenditures of federal awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Anderson County School District's management. Our responsibility is to express an opinion on Anderson County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and state audit requirements. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Anderson County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Anderson County School District's compliance with those requirements.

In our opinion, Anderson County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Anderson County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Anderson County School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contract and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. In addition, the results of our tests disclosed no

instances of noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract - State Audit Requirements.

This report is intended for the information of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Anderson County School District, the Kentucky Department of Education management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Charles T. Mitchell Co.

October 31, 2005

MANAGEMENT LETTER COMMENTS

Charles T. Mitchell Company, LLP

Certified Public Accountants

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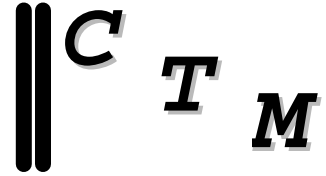
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Anderson County Board of Education

Lawrenceburg, Kentucky 40342

We have examined the financial statements of Anderson County Board of Education for the year ended June 30, 2005 and have issued our report thereon dated October 31, 2005. As part of our examination, we made a study and evaluation of the Anderson County Board of Education's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Anderson County Board of Education's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Anderson County Board of Education is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the system to dispatch its duties.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Anderson County Board of Education taken as a whole. We noted no matters involving internal control over financial reporting and its operation that we considered to be material weaknesses.

Follow-Up On Prior Year Recommendations

1. None noted in prior year.

We have enjoyed working with the management and staff of the Anderson County Board of Education and look forward to a continuing, mutually productive relationship. Please call us if you have any questions concerning this letter or if we can be of any other assistance.

Respectfully submitted:

Charles T. Mitchell Co.

Charles T. Mitchell Co.

October 31, 2005